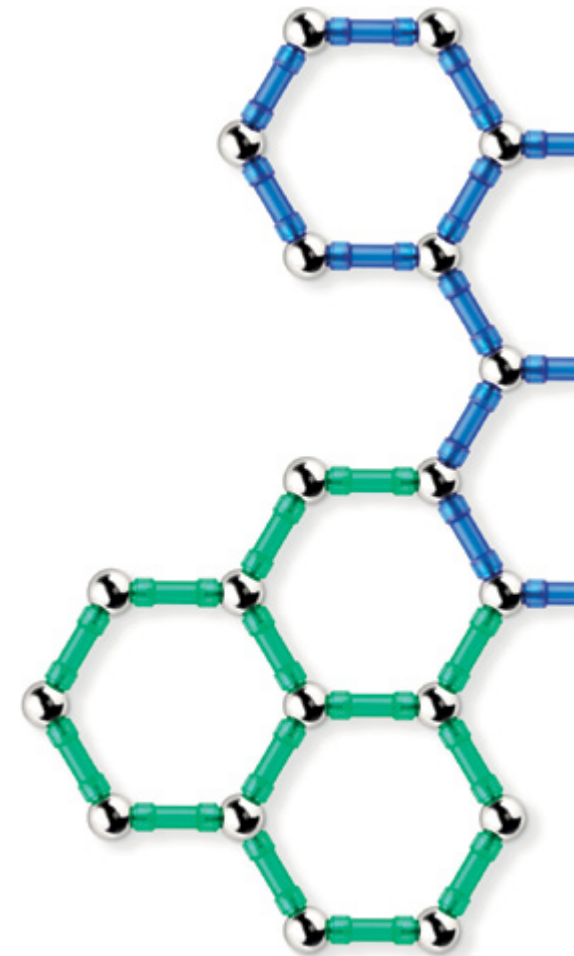
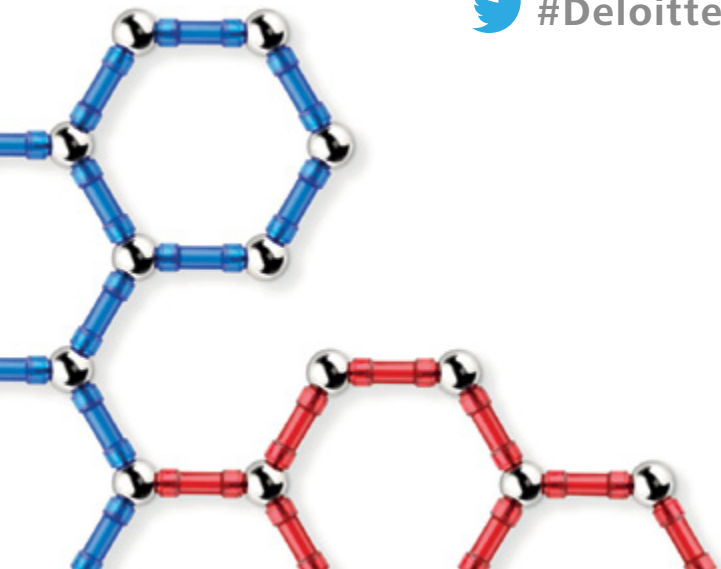


TMT Predictions 2013

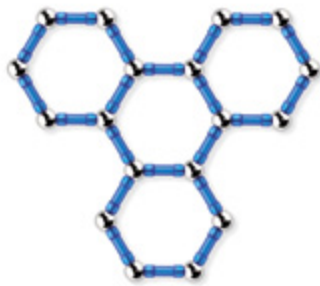
Insights. In advance.

 #Deloittepredicts

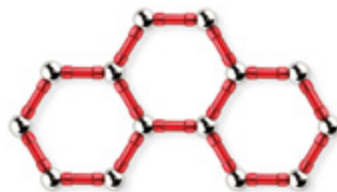


The only sure thing about business in 2013 will be that no one can be sure of anything

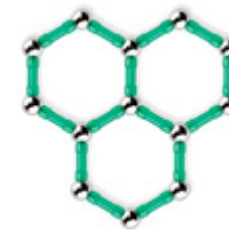
#Deloittepredicts offers 10 insight-driven predictions for three sectors to help your enterprise succeed in the year ahead.



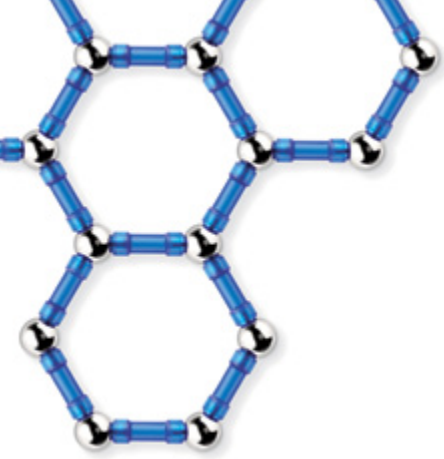
Technology



Media

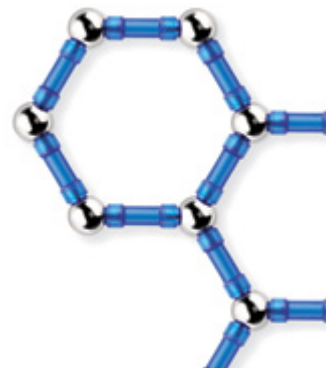


Telecommunications



Your “secure” password won’t be

2013: **#Deloittepredicts** over 90% of user-generated passwords – even the “strong” ones – will be vulnerable to hacking in seconds.

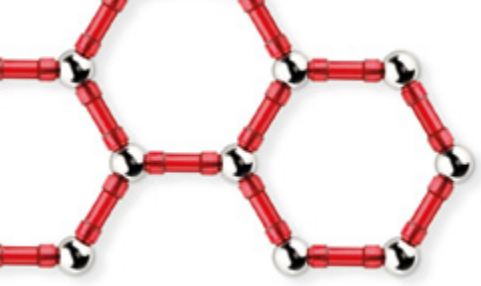


The problem is us (and them)...

What makes passwords vulnerable? It’s partly us. We use tricks to make memorizing passwords easier. For example, we select passwords for their patterns and not their random sequences – and re-use our passwords on multiple accounts. And it’s them: there have been advances in password-cracking hardware and software, and hackers can now band together (“crowdhacking”) using thousands of relatively slow machines to each attack a different part of the puzzle.

...and there’s no easy fix

Possible solutions include never storing unencrypted usernames and passwords, using software to blacklist commonly used passwords (like “password” and “123456”) and creating less-searchable password resets (no more “mother’s maiden name”). Moving to longer passwords or to truly random passwords is unlikely to work, since users just won’t do it. But multifactor authentication using tokens, cellphones, credit cards or even biometrics are likely solutions. All organizations need to follow a few authentication best practices, enact better password security policies, monitor for hacks and be ready to respond.



We want our pay TV

2013: **#Deloittepredicts** that more than 99% of North American TV subscribers will continue to subscribe.

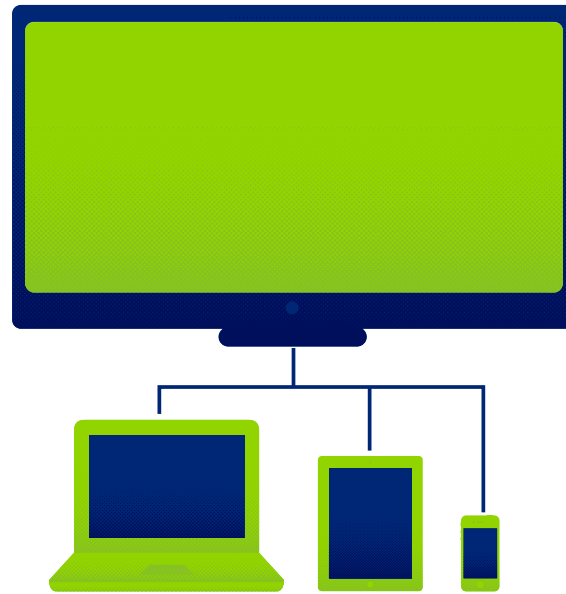
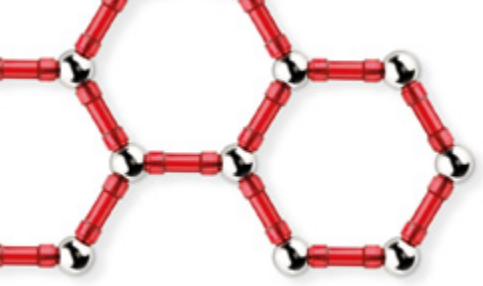


“Cable” isn’t dead...

Did apocalyptic 2012 headlines suggesting imminent, significant cord-cutting reflect reality? No. Based on data from Canada and the United States, subscription TV services are still adding subscribers, although at slowing rates. And, some young people creating new households may be doing so without traditional subscription TV. However, North Americans want the four pillars of subscription TV – live sports, news, reality TV and first-run drama and comedy – generally not available through third-party Over The Top video services.

...so don't cut ties with your core

In 2013 almost all North American households that pay for TV through multichannel video programming distributors (MVPD) will continue to subscribe. Subscription TV operators should focus on the 99% of their customers who won't be cutting the cord. They should look to address their customers' needs with packages to please them, rather than attempting to appease the small but vocal group of subscribers who threaten to cancel.



Existing players will rule the OTT market

2013: **#Deloittepredicts** two of the top three Over-The-Top (OTT) TV program and movie services are likely to be provided by existing broadcasters or distributors.

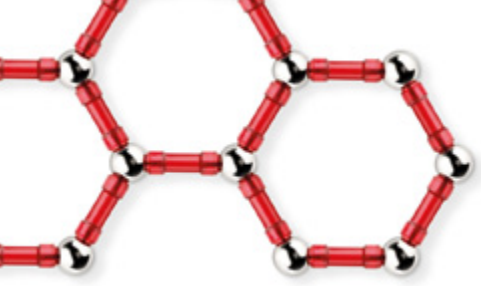


Familiarity means content...

Thanks to brand loyalty, exclusive rights to familiar quality content and awareness, legacy broadcasters' OTT services will have more appeal to consumers than some pure-play OTT providers and OTT divisions of larger companies not in the TV industry. Viewers will use broadcasters' OTT services principally to "catch up" – Deloitte estimates that more than 75 percent of programs will be watched within a week of their initial broadcast.

...and content is core

Subscription TV providers and pay TV channels should view OTT as part of their television services ecosystem and continue to promote their OTT services to improve perceptions of value. OTT services aren't core, content is. Whoever has the most popular content has the most popular OTT site. Pure-play OTT successes will get lots of press coverage in 2013 – but broadcasters and subscription TV providers should contextualize those headlines and react accordingly. They should also consider that a consumer's broadband service quality plays a key role, which for pure-play OTT services with no fall-back content, could prove problematic.



Larger screens need more dots

2013: **#Deloittepredicts** TV screens with four times the resolution of HD will start to appear.

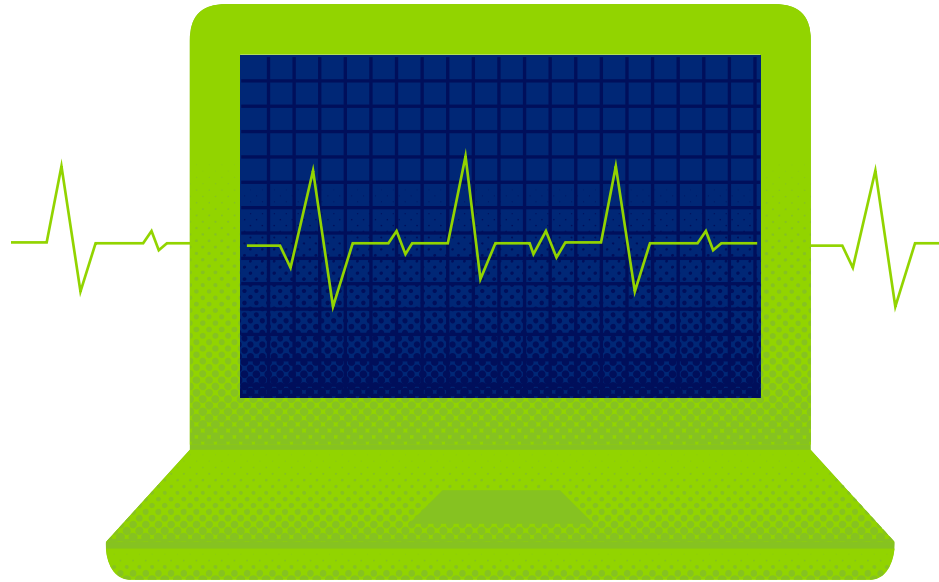
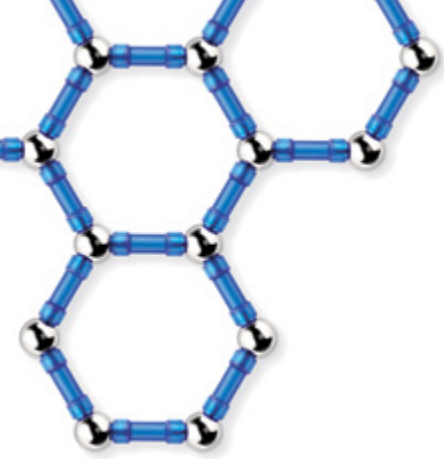


Early adopters will find pixels elusive...

Larger TV screens, advances in video games and rising expectations for higher resolutions across all screens are driving the move to 4K. To meet expectations for higher resolution, the consumer electronics industry will start to roll out the next generation of high definition (HD) TV, known as 4K. About 20 4K TV set models – on which pixels will be invisible from a metre away – will be available by year-end. Wealthy early adopters will be the first to own the sets, watching pre-recorded or streamed content in 2013.

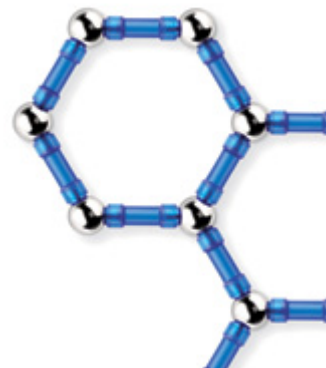
...and ROI may also (initially) be equally hard to see

4K requires new supporting standards, including a High Definition Multimedia Interface (HDMI) standard to service 4K data rates. And, upgrading presents additional challenges – including storage, streaming bandwidth, and new set top boxes to support the new HEVC compression standard – as well as a significant capital expenditure for both industry players and consumers. Deloitte estimates a cost to broadcasters of \$10 to \$15 million per channel – with a decline in future years. Success will come from distributing high production costs across a large audience, resulting in a reasonable cost per viewer.



Rumours of the PC's death are greatly exaggerated

2013: **#Deloittepredicts** that, surprisingly, the traditional PC will continue to be the primary device we use for work and play.

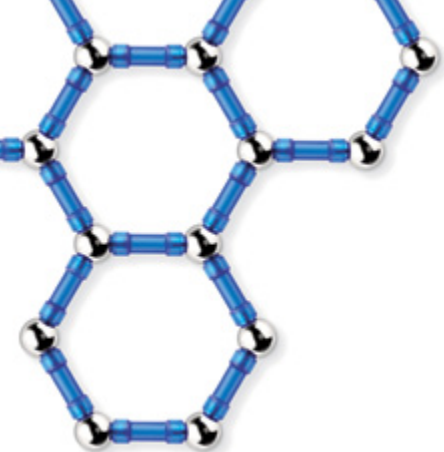


We're not in the post-PC era...

Some have suggested that strong sales of tablets and smartphones mean that the PC is becoming an anachronism. Some enterprises are even looking at replacing PCs. But for any employee who has to create content or enter data, the traditional PC is a far more useful device. And while not matching the explosive growth of smartphones and tablets, PC sales have actually continued to increase, too.

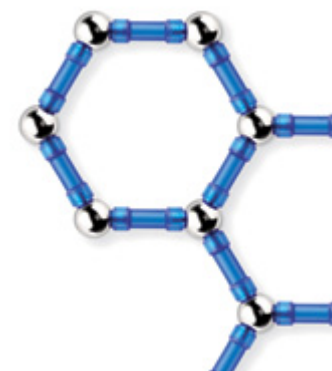
...we're in the era of "PC plus"

While the proportion of traffic from other devices is growing, the vast majority of all Internet traffic is still from PCs, and that likely won't change any time soon – over 80% in 2013. Nor is a generational shift imminent: over 90% of young people still consider their laptop their most important device. They may use their far more portable tablets and smartphones to stay connected and for convenience, but for creating content, gaming and viewing, they still rely on the PC.



The wisdom of crowds?

2013: **#Deloittepredicts** that, despite some real risks, crowdfunding portals will raise \$3 billion in the year ahead, a 100% increase over 2011.

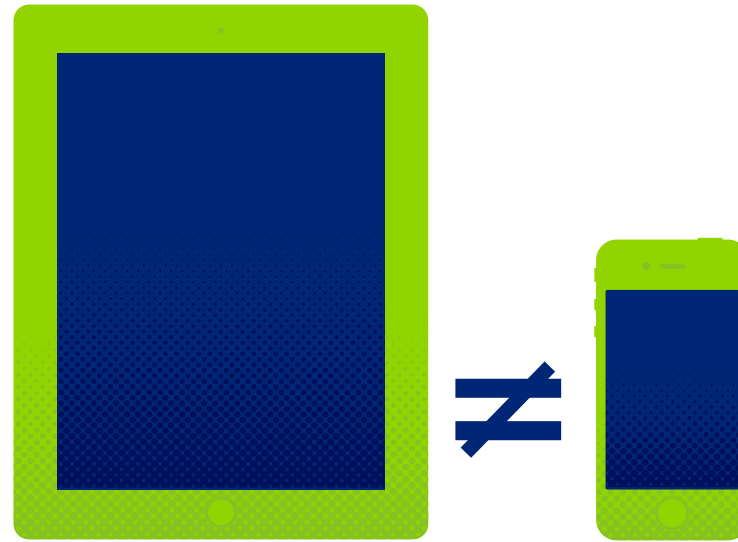
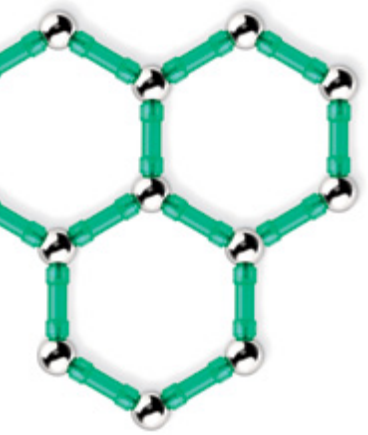


Crowdfunding will grow...

Crowdfunding portals are websites that enable large numbers of individuals to financially support a project or company. Each backer contributes just a small percentage (generally less than one percent) of the total funding, but typically each project has thousands of backers. Crowdfunding as a source of investment is growing at more than 50% a year. In Ontario, the OSC is considering loosening restrictions on crowdfunding, and one alternative exchange supports this. If this happens, equity crowdfunding will likely grow even faster, but it will still only complement (and not replace) existing VC, adding funds at the critical “family & friends” stage.

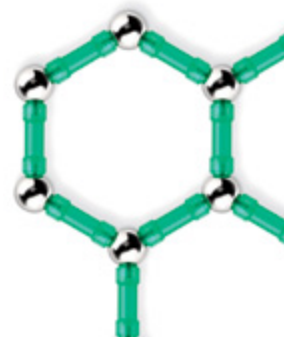
...but so will the risk

Despite strong growth, there are real pitfalls ahead. Crowdfunded projects typically encounter delays as inexperienced inventors and project managers struggle with unanticipated details and timelines. And the potential for average “crowdfunders” to misunderstand the promises of young start-ups is far greater than with experienced investors. Given that many projects never get finished, take longer or need more money, crowdfunders are unlikely to experience smooth sailing.



Not all mobile advertising is created equal

2013: **#Deloittepredicts** that only by seeing mobile advertising as two distinct categories – tablet and smartphone – can businesses really unleash innovation in each.

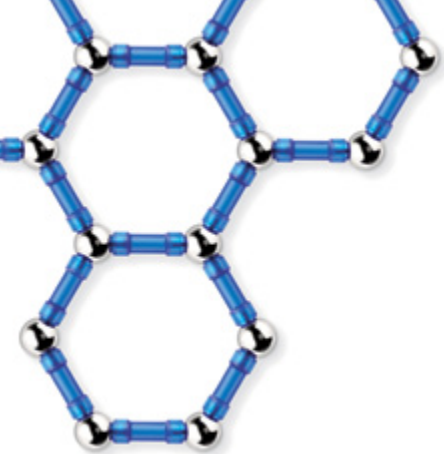


Tablet and smartphone advertising are two separate things...

The difference in screen sizes between the two types of devices is driving fundamental differences in how they're used and hence the value of the advertisements that users see. Even the biggest smartphones only have about 11 square inches to place display advertising, let alone content. On tablets, the larger screen offers four times the display area, which ratchets up usability, and enables a far greater role for display advertising. Compare the 2013 display revenue forecast of about \$7 per tablet to that of smartphones, at about \$0.60 per device.

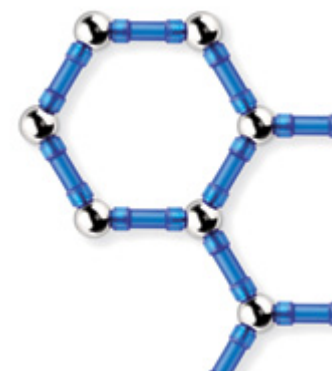
...that offer all kinds of different opportunities

There is much experimentation and innovation ahead for both categories, with enormous opportunities in second screening (connecting other screens to a TV-watching experience) and in gaming. It's essential to connect smartphone and tablet advertising to other forms of advertising and interaction, in ways that play to the unique strengths of each device, and embrace the different ways that consumers use them.



Calling it “social” doesn’t guarantee success

2013: **#Deloittepredicts** that over 90% of Fortune 500 companies will have an enterprise social network by the end of the year – but those that expect easy adoption will likely be disappointed.

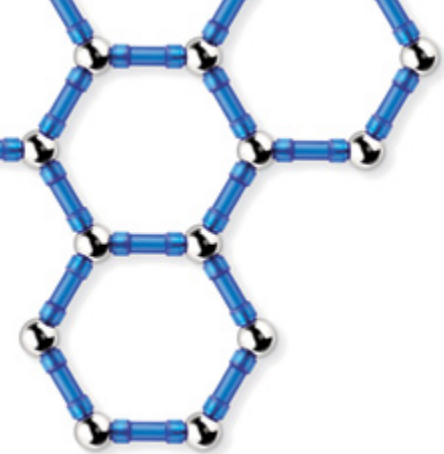


Enterprise social networks are becoming prevalent...

Although many businesses of all sizes are using enterprise social networks (ESNs) to foster internal communication, collaboration, and knowledge sharing, the reality may not be what many senior executives expect. For ESNs where registration is required, as many as 30% of employees will not sign up, and of those who do, only one third will read content even once a week.

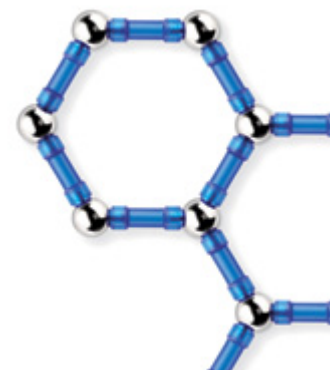
...but building engagement means being realistic

To build an ESN that employees will actually use, it’s critical to set realistic expectations and benchmarks. It’s vital to make sure that employees are encouraged to use their ESN and are taught how and why, by demonstrating tangible benefits. Above all, designing an ESN to be part of existing workflows and processes may be the tipping point in building engagement and offering real utility.



BYOC? Sort of

2013: **#Deloittepredicts** that over 50% of Fortune 500 companies will allow voluntary Bring Your Own Computer (BYOC), even as more formal BYOC policies fade.



Bringing your own computer won't be a policy...

While the Bring Your Own Device (BYOD) trend changed how enterprises offered smartphones to employees, the same payment model isn't happening with PCs. Many companies would lose key tax benefits by implementing broad BYOC policies, and there's too big a downside to individuals being responsible for their own tech support and security. Plus, most employees are usually happy with their corporate PCs, as long as they're relatively recent.

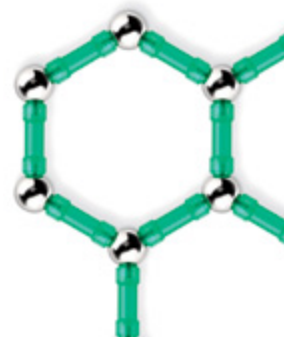
...it will be a perk

BYOC will be offered by forward-thinking companies that want to motivate employees who are passionate about technology, and who are willing to provide their own tech support. Allowing them to bring their personal PCs to work and connect fully to corporate applications will be a key tool, especially for contract workers and telecommuting employees. But employers will need to have clear corporate security and privacy guidelines and tools in place.



Wireless spectrum “rush hour” means more traffic jams

2013: **#Deloittepredicts** that demand for wireless spectrum will lead to more congestion for users, despite the efforts of regulators and carriers to free up spectrum and use it more efficiently.



We’ll face a more crowded wireless spectrum...

Although additional wireless spectrum will be made available in 2013 in many markets, the problem of spectrum exhaustion will continue to grow even faster, especially in dense urban areas. Users can expect “rush hours” when they experience performance impacts like slower speeds, more failed attempts to access networks, and more dropped calls. In the worst situations, web browsing may be difficult and video streaming impossible.

...before any of the current solutions solve the problem

Regulators may accelerate and streamline their spectrum allocation processes, offer larger spectrum blocks, and encourage spectrum-sharing solutions. Beyond potentially increasing what they charge for data and speeds, carriers will likely want to do even more with Wi-Fi, as well as finding picocell and femtocell business models that lead to more rapid adoption. Even with these efforts, however, demand for wireless spectrum will likely outstrip ongoing improvements in spectrum availability and efficiency for several years.

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